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**FORMER U.S. TECHNOLOGIES CEO SENTENCED TO 125 MONTHS
IN FEDERAL PRISON FOR SECURITIES FRAUD SCHEMES**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that C. GREGORY EARLS, the former Chairman of the Board of Directors and Chief Executive Officer of U.S. Technologies, Inc. ("U.S. Technologies"), was sentenced this afternoon in Manhattan federal court to 125 months in prison, following his April 2004 conviction on charges of securities fraud, mail fraud and wire fraud in connection with two schemes that defrauded investors of more than \$20 million.

USV Partners Fraud

The evidence at trial showed that in his first scheme EARLS defrauded investors of USV Partners, LLC ("USV Partners"), a purported investment company that he controlled, by representing that USV Partners would use funds entrusted by investors to it to purchase the securities of U.S. Technologies, a publicly traded company engaged in prison outsourcing and investments in technology companies. In fact, the evidence showed that from June 1998 through March 2003, EARLS misappropriated approximately \$13.8 million of the approximately \$20 million entrusted by investors to USV Partners. EARLS used

the misappropriated funds for various undisclosed purposes, including to fund a trust for his children and to repay investors from other business ventures that EARLS had organized prior to USV Partners. The evidence established that EARLS took investor funds from USV Partners and re-invested those very funds in his name or the name of his family's partnership to make it appear that he had personally contributed to USV Partners as well.

After inducing investors to entrust funds to USV Partners, EARLS then transferred funds to U.S. Viewing Corporation ("U.S. Viewing"), another company that he controlled, and then caused transfers to be made from U.S. Viewing to various other entities and individuals, according to the evidence. To conceal his theft, the evidence showed that EARLS falsified the books and records of USV Partners by, for example, (a) recording \$9.1 million of the transfers from USV Partners to U.S. Viewing as "legal and accounting fees," despite the fact that U.S. Viewing had performed no such services, and (b) recording \$4.7 million of the transfers as a "management fee," despite the fact that the USV Partners operating agreement furnished to investors expressly prohibited paying any such management fee.

In addition to falsely representing that investors' funds would be used to purchase U.S. Technologies' securities, EARLS also falsely represented to investors (a) the size of his own investment in USV Partners, falsely claiming to be its largest investor, when he was not, (b) that U.S. Technologies held a warrant to purchase stock in gomembers.com, a technology

company, worth more than \$20 million, when no such warrant existed, and (c) that Robert Bass, a prominent businessman from Texas, was an investor in USV Partners, when in fact Bass never invested in USV Partners.

Fresh Direct Fraud

The second scheme involved EARLS misappropriating more than a million dollars from Fresh Direct, Inc. ("Fresh Direct"), an online grocery store based in Long Island City, New York. In mid-2001, EARLS served as the manager for a round of financing for Fresh Direct. The evidence at trial showed that EARLS failed to forward \$1.3 million of the money that he had raised to Fresh Direct.

In addition to sentencing EARLS to 125 months' imprisonment, United States District Judge NAOMI REICE BUCHWALD also ordered EARLS to pay more than \$21 million in restitution to his victims.

EARLS, 60, resides in Washington, D.C.

Mr. KELLEY praised the efforts of the United States Postal Inspection Service in conducting the investigation and in assisting with the prosecution.

Assistant United States Attorney MEI LIN KWAN-GETT and Special Assistant United States Attorney WILLIAM J. STELLMACH are in charge of the prosecution.

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